



London International Conferences

[londonic.uk](http://londonic.uk)



[ukeyconsultingpublishing.co.uk](http://ukeyconsultingpublishing.co.uk)

## **Employment Reduction as A Factor of Consumer Debt Growth in the Covid-19 Pandemic**

**Nosova Olga**

Doctor of Economic Sciences, V.N. Karazin Kharkiv National University

<https://orcid.org/0000-0002-5638-6294>

[olgano59@gmail.com](mailto:olgano59@gmail.com)

### **Abstract**

The article's main goal is to analyse the decline in employment effects on the growth of consumer debt in the COVID-19 pandemic. Evaluating various approaches for employment decrease effect on the consumer debt rise proved the necessity of assessing the impact of economic performance and country-specific factors. The study by Dingel & Neiman (2020) shows that 38 % for high-income economies and only 13 % for low-income countries can work from home. Assuming there is a linear relationship between the share of people who can work from home and the country's GDP, this share for Ukraine stands at about 20 %. Stay-at-home orders caused business closures and were accompanied by the decline in demand for travel, accommodations, restaurants, entertainment, and in other industries. The restrictive measures led to a significant reduction in employment and a loss of income in many countries' households in the world. The dramatic decline of

economic activity, contraction of production, unemployment rise, and a drop of labour productivity produce employment income losses due to the spread of COVID 19. UN OCHA in Ukraine (2021) reports that since the beginning of the pandemic, more than 80% of households have lost income and in more than 40% of families, at least one family member has lost her/his job. *Ukraine has introduced partial moratorium-releasing debtors from liability for the delayed performance of obligations under consumer loans.*

In the context of presenting approaches, a number of significant conclusions were drawn, proving full shut up measures for localization disease dissemination. The imposition of restrictions on the working life, the introduction of new remote forms of work and education proposes a special policy, which depends on the national economic and financial potential. The health system development and adoption stabilization measures of the epidemic situation in the country are the basis to restore confidence and trust in the society.

Empirical analyses conducted on the results of a survey carried out among employees in Ukraine. The assessment survey results based on the questionnaires of the quality of debt advice services for European households. The study sampled 100 respondents in various spheres of activity in June 2020. The results of respondent analysis have found that the consumer debt increased in the lockdown period from March to June 2020, and a significant number of SMEs shut up. Different types of consumer debt – consisting of mortgages, credit cards, auto loans have risen. Many Ukrainians have lost income and faced financial hardships. The observations illustrate that significant changes are reflecting the uncertainty upsurge in society, over-indebtedness increases in a hotel, restaurant, tourist industries, retail and wholesale trade. The number of households' over-indebted rises over the past 10 years has increased in Ukraine. Survey result suggest that since March 2020 to June 2020 poverty rate will increase.

The article pays attention to the possible threats to the Ukrainian economy through protracted extension and strengthening of domestic quarantine measures, lack of a clear action plan to support low-income citizens, and economic downfall of economic activity due to the COVID-19 pandemic. The article suggests the government support the population, provide financial aid to the most vulnerable populations, and exempt the persons having lost their jobs from repayment of mortgage loans on a temporary basis, until the end of the year, without imposing a fine or accruing interest. Adoption of the program for SMEs and to the most damaged industries development will restore the confidence and trust of entrepreneurs in future business activities. The research proves a need to increase the relevant share of debt advice services and quality.

**Keywords:** employment, consumer debt, households, over-indebtedness, debt advice services.

